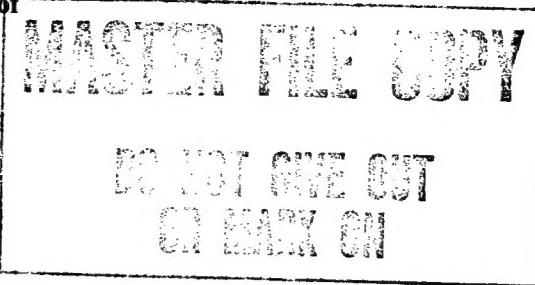




Directorate of  
Intelligence

Secret



25X1

# The Spanish Socialists: Six Months in Power

25X1

An Intelligence Assessment

State Dept. review  
completed

DIA review  
completed.

Secret

EUR-83-10176  
June 1983

Copy 326

25X1

**Page Denied**

Next 1 Page(s) In Document Denied



**Directorate of  
Intelligence**

**Secret**

25X1

# The Spanish Socialists: Six Months in Power

25X1

**An Intelligence Assessment**

This paper was prepared by [redacted]  
Office of European Analysis,

[redacted] Office of  
Central Reference.

25X1

25X1

25X1

25X1

Comments and queries are welcome and may be  
directed to the Chief, Iberia-Aegean Branch, EURA,

25X1

**Secret**  
EUR 83-10176  
June 1983

**Secret**

25X1

**The Spanish Socialists:  
Six Months in Power**

25X1

**Key Judgments**

*Information available  
as of 27 May 1983  
was used in this report.*

During its first six months in power the Spanish Socialist Party (PSOE) has, in our view, adhered to a cautious and moderate program designed to retain the allegiance of the centrist voters who ensured the party's victory. At the same time, the government has sought to placate leftist elements with gestures such as limited legalization of abortion and reform of the government bureaucracy. Prime Minister Gonzalez remains Spain's most popular politician, and the results of the municipal elections in May show that his government still retains strong support. Gonzalez has effectively put his stamp on the government's domestic programs, while giving his ministers considerable autonomy in policy formulation and implementation. Meanwhile, his aggressive program to combat Basque terrorism has begun to show positive results.

In our view the greatest challenge facing Gonzalez is the economy. His government has chosen to defer the creation of jobs in favor of a program designed to reduce both inflation and the balance-of-payments deficit. This program, while necessary to enable Spain to profit fully from the international recovery, will increase unemployment—already at 17.8 percent—in the short term. The Communists and some labor unions have already protested the government's refusal to reflate, but we believe that Gonzalez will stick to his policies for at least the next six months to a year.

The government's foreign policy is still in flux. Except for the US bilateral treaty—which the Socialists accepted with only cosmetic adjustments—Gonzalez has not moved decisively. He has postponed a decision on Spain's final status vis-a-vis NATO until 1984 at the earliest. We think the Socialists in the end will opt to remain within the Alliance because of the advantages of membership and also out of concern for the impact a break would have on Spain's relations with the United States and Europe. Nevertheless, full military integration may not come about within the life span of the current Parliament. On most other foreign policy issues, the Socialist government has kept a relatively low profile. One notable exception has been Central America. Here Madrid has been a vocal critic of US policy, asserting that the region's problems have less to do with foreign meddling than with indigenous social change.

Perhaps Gonzalez's greatest success to date has been in placating the military. The good relations between the Defense Minister and the armed forces have enabled the government to concentrate on reforming and

**Secret**

25X1

modernizing the military rather than worrying about potential coup plotters. Only an improbable combination of disasters—for example, widespread social disorder and near economic collapse or resurgent terrorism and government meddling in internal military affairs—could, in our view, generate a successful coup. Less dramatically, a split between moderates and leftists within the PSOE might, under certain conditions, cause the government to lose its absolute parliamentary majority. Given the weakness of the opposition and Gonzalez's strengths, however, the Socialists are unlikely to fall from power much before elections must be held again in 1986.

25X1

**Secret**

iv

**Secret**

25X1

## The Spanish Socialists: Six Months in Power

25X1

### A Vote of Confidence

In October 1982 Spain elected its first leftist government since the 1930s. The Socialist Party (PSOE) took power with 46 percent of the popular vote and an absolute parliamentary majority (202 out of 350 seats). No democratically elected Spanish government during the past 75 years has enjoyed such a comfortable margin in Parliament. Reflecting his publicly stated conviction that the PSOE owed its victory to three million "borrowed" centrist votes, Prime Minister Felipe Gonzalez has thus far followed cautious and moderate domestic and foreign policies. His government has made a few dramatic gestures—for example, limited legalization of abortion, reform of the government bureaucracy, and nationalization of RUMASA, the country's largest private conglomerate—that appeal to the left wing of the PSOE and to the Communists who supported Gonzalez. These moves have not, however, had a fundamental impact on the administration's cautious approach.

25X1

We believe that the results of municipal elections last month amount to a qualified vote of confidence for the PSOE's moderate policies and a confirmation of the government's political acumen in courting the centrist electorate. The Socialists slipped to 43.3 percent of the vote but remained more than 15 percentage points ahead of their nearest competitor, the rightist Popular Alliance (AP). The PSOE's small losses were due mostly to the modest recovery by the Communist Party, which doubled its share of the vote to 8 percent, still well below its past performance. But the Socialists showed that they could retain—and perhaps marginally augment—their share of the crucial centrist vote. After six months in power, the PSOE has yet to suffer any serious erosion of support and remains Spain's dominant political party.

25X1

### Percentage Distribution of Popular Vote in 1982 Parliamentary and 1983 Municipal Elections

Party	1982	1983
Socialists	46.07	43.39
Popular Alliance	25.35	26.24
Union of the Democratic Center <sup>a</sup>	7.26	
Social Democratic Center (Suarez)	2.89	1.79
Democratic Liberal Party <sup>b</sup>		0.80
Communists	3.87	8.00
Convergencia i Union (Catalan moderates)	3.73	4.40
Basque Nationalist Party (Basque moderates)	1.91	2.38
Euskadiko Ezkerra (Basque leftists)	0.47	0.45
Herri Batasuna (Basque leftist extremists)	0.97	0.92
Andalusian Socialist Party	0.33	0.65
Minor and regional <sup>c</sup>	7.15	10.98

<sup>a</sup> Party was disbanded after 1982 election.

<sup>b</sup> Did not contest 1982 election.

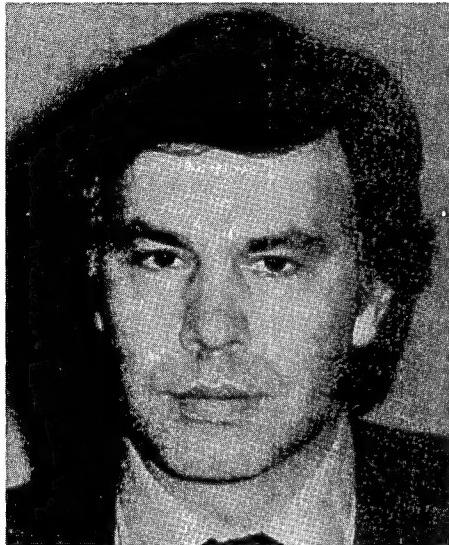
<sup>c</sup> Includes null and blank ballots.

25X1

### The Gonzalez Style

In addition to vindicating the PSOE's moderate policies, the election successes have been personal victories for Felipe Gonzalez. Polls continue to indicate that the Prime Minister is Spain's most popular politician, and his ratings—along with those of the PSOE government—have risen during the six months since he took office. Gonzalez has projected an image

Secret



25X6

25X1

*Felipe Gonzalez, Prime Minister and Socialist leader*

of firmness and authority tempered by moderation. The Spanish press frequently comments on Gonzalez's ability to create a personal aura of morality and rectitude, while simultaneously representing himself as a symbol of change and hope for the nation's modernization. According to polls, the Prime Minister provokes very few strong negative reactions, even from those who disagree with his politics. In this he is unlike his chief adversary on the right, controversial AP leader Manuel Fraga.

25X1

Gonzalez has established himself in the public mind as a concerned statesman in part by dissociating himself from the partisan aspects of governing. He has tended to speak in generalities during his infrequent but effective television appearances, while his press interviews are long on ethics and short on politics.

25X1

Gonzalez delegates most of the attacks on the opposition and the maintenance of discipline within the party to his Vice Prime Minister and close confidant, Alfonso Guerra.

25X1

Gonzalez has consciously decided to remove himself from the daily chores of administration so as to do a better job of mediating intragovernmental disputes and to have more time to ponder the larger issues of state. The result is a government in which



the Prime Minister sets the general tone of policy but refrains from giving direct orders; Gonzalez rules by consensus and suggestion, leaving his ministers considerable autonomy in the formulation and implementation of policy.

25X1

In addition to keeping him popular with the electorate, the Prime Minister's approach has increased his room for maneuver in policymaking. The high public profile of key ministers has led the press to associate them rather than Gonzalez with specific administration programs.

25X1

Secret

**Secret**

25X6

25X1

this tendency also operates within the party: when PSOE leftists criticize the government, they generally complain about the moderate ministers rather than about Gonzalez personally. We thus believe that should specific Socialist policies fail or prove highly unpopular, Gonzalez could so distance himself from them as to be able to dismiss those responsible and shift course with most of his personal prestige and influence intact.

There are some potential pitfalls in Gonzalez's approach, however:

- Over the longer term, his penchant for vague pronouncements and ethical discourse might begin to wear on the public—particularly if voters become disenchanted by a gap between the Socialists' promises and their achievements.
- There is a danger, in our view, that Gonzalez's light touch could eventually encourage dissension and infighting within the government.
- The current ambiguity and incoherence that in part characterize Socialist foreign policy could prove to be a preview of the difficulties created when competing power centers in the PSOE government attempt to formulate policy without strong direction from the Prime Minister's office.
- There are substantial personal and policy rivalries within the PSOE, and as new problems arise and the government's honeymoon with the electorate ends, it will become increasingly difficult for Gonzalez's allies to hold them in check.

25X1

Government and party discipline has so far prevented most of these disputes from becoming public or from seriously hampering the formulation and implementation of the administration's economic and social policies. However, if the economy deteriorates rapidly, leading to a marked increase in unemployment and social tensions, Gonzalez might be tempted to placate leftists in his party by giving them a significant say on those issues. This in turn could lead to a weakening of the authority Gonzalez has given his largely moderate ministers and the adoption of inconsistent and potentially destabilizing policies.

### The Economic Challenge

In one area—the economy—Gonzalez has apparently decided that the government cannot afford the luxury of extensive debate among various policymakers. He made Economics and Finance Minister Miguel Boyer the government's undisputed economic strategist, and Boyer established a clear and coherent economic policy early in the PSOE administration. The gravity of the economic crisis required a quick response: the centrist governments that preceded the Socialists had

**Secret**

Secret

25X1 bequeathed a 16-percent inflation rate, a \$5 billion current account deficit, and a 15-percent level of unemployment.

The Finance Minister has deferred until 1984 implementation of the PSOE's stated goal of creating 200,000 jobs per year. He has also scaled down plans for real economic growth this year from 2.5 to 2.0 percent. Boyer has opted for a conservative economic package involving reduced monetary growth, an 8-percent devaluation of the peseta, a reduction in the rate of growth of government expenditures, and higher taxes. These measures are designed to reduce Spain's trade imbalance, marginally cut the budget deficit, and lower the inflation rate to 12 percent during 1983. This would in theory enable the government to begin tackling unemployment from a competitive international economic position as the international recovery takes hold.

We believe that the government has already decided that its current economic policies will not be sufficient to achieve its stabilization goals. The press has speculated that to reach its objectives of reducing inflation, controlling the budget deficit, and strengthening the balance of payments, the government is preparing to implement an austerity program. Such a program—probably involving tighter money and more budget cuts—could depress domestic investment and further boost unemployment, which has risen nearly 2 percentage points since Gonzalez took office.

Polls indicate that the majority of the public does not blame the Socialist government for current economic hardships, and the limited overt opposition within the PSOE and the government to Boyer's austere economic program has yet to become public. The Socialists can still argue plausibly that the inaction of preceding governments and the international economic crisis have produced the current slump. In the meantime, the government has undertaken some largely cosmetic reforms—such as reducing the workweek from 42 to 40 hours and requiring 30 days of paid vacation—to buttress its appeal to the working class. It also has garnered favorable publicity by requiring civil servants to abandon second jobs and work full days.

The emergency nationalization in February of RUMASA has also strengthened Boyer's image as a decisive Finance Minister. Although initially designed only to prevent the conglomerate's collapse, the nationalization of RUMASA has, according to the US Embassy, had the felicitous side effect of making the government appear to be standing up to the business community and the right.

25X1

25X1

#### Other Domestic Policies

On noneconomic questions the Socialists have not been pressured by circumstances into making quick decisions. Most of the PSOE's domestic goals—curbing terrorism, revamping the health care system, reorganizing the state bureaucracy, strengthening public education, and completing the regional autonomy process—involve long-term programs, and Madrid is tackling most of these matters slowly and deliberately. Perhaps calculating that a few highly visible reforms would reinforce its image as a force for change, the government nonetheless has taken decisive stands on several key issues and dramatized them for maximum political effect.

25X1

The Socialists have moved most forcefully to contain the widespread violence in the Basque Country perpetrated by the Basque Land and Liberty (ETA) terrorist organization. Only four days after the October 1982 election, ETA underlined its latent potential to generate political instability by assassinating the top field commander of the Spanish Army. In spite of this atrocity, the government agreed to talks with ETA's political front and the Basque autonomous government. ETA quashed hopes for a negotiated settlement, however, responding to Madrid's call for a cease-fire with a string of bombings and murders in early February. Since then Interior Minister Jose

25X1

Secret

Secret

25X6

elections by Herri Batasuna, ETA's political front, 25X1  
 may indicate that even the most radical of Basque nationalists are wearying of constant terrorism [redacted]

The new government also moved expeditiously to defuse remaining tensions stemming from the regional autonomy issue. Most of the factors that had contributed to the political volatility of the regional problem were slowly being resolved before the PSOE came to power, but Gonzalez publicly assured regional politicians that pending legislation to restructure the autonomy system would not reduce the level of self-government already granted by the constitution. We view the Socialists' adroit handling of this issue as a significant domestic achievement. The complicated process of converting one of Europe's most centralized states into a de facto federal system had created, in our judgment, enormous tensions that had come close to threatening Spain's national unity during the period 1977 to 1981. Disputes between Madrid and the regions will continue to fuel political conflict in Spain, but we doubt that these will in the medium term seriously threaten either the integrity of the state or overall political stability. [redacted] 25X1

The PSOE's chief initiative among the so-called social issues has been to introduce a bill modifying Spain's absolute prohibition of abortion. This legislation exemplifies how the government has attempted to create an aura of rapid change and innovation while in fact moving quite cautiously. The abortion proposal was first presented as an emergency measure (although it has since been downgraded to standard parliamentary channels), thereby attracting extra press attention. In addition, [redacted] 25X1

Vice Prime Minister Guerra backed the bill as a way of diverting the public's attention from the economic crisis. Guerra reportedly even asked leading feminist organizations to protest the measure for being insufficiently radical—thus enabling the administration to sell its position as the golden mean between proabortion and antiabortion forces. [redacted] 25X1

25X1

Barrionuevo has adopted an unflinchingly tough stance toward ETA, publicly affirming that terrorism can be eradicated only by police measures—tempered by negotiation only when Madrid has a clear advantage. [redacted]

This stern response to terrorism has, in our view, already produced some progress. One branch of ETA has virtually collapsed, and the general level of violence in the Basque Country has decreased somewhat in the past few months. Large police operations have led to the arrest of a number of key ETA terrorists. Moreover, setbacks suffered in the recent municipal

Secret

being careful not to let the abortion question sour its overall relations with the government. According to opinion polls, a majority of Spaniards favor some sort of liberalization of the abortion laws; the PSOE's good showing in the municipal elections last month in our view confirms center-right ineffectiveness thus far in using social issues such as abortion to mobilize the electorate against the Socialists.

25X1

### Foreign Policy

The Socialists' foreign policy has been less focused than their domestic program. This is so primarily because the government's foreign policy officials, unlike its economic experts, apparently see a wider range of plausible policy choices and feel little sense of urgency in making a selection. Until Gonzalez settles on a general framework, Socialist foreign policy is likely to develop slowly and be plagued by numerous internal contradictions.

25X1

On one matter, however, the government has moved decisively: the parliamentary ratification of the US-Spain bilateral agreement negotiated by the previous government. Both Gonzalez and Foreign Minister Moran have publicly and privately stressed that the government places great importance on maintaining good relations with the United States. Within a month of taking office the Socialists accepted the treaty intact, simply appending a protocol designed to appease leftist critics of the pact. This represents a sea-change of sorts in PSOE attitudes: a party that in the past indulged in a good deal of pro-Third World and anti-United States rhetoric has accepted a treaty negotiated by the center right that makes numerous references to Spain's NATO membership.

25X1

This more cooperative attitude, however, does not yet characterize PSOE policy toward Western interests in general and NATO in particular. Spain joined the Alliance in June 1982 but has not yet put its troops under NATO command. One of the new government's first foreign policy decisions was to freeze the integration process pending a review of the NATO connection and some sort of referendum on the nature of Spain's relationship to the Alliance.

25X1

25X6

The most vocal member of the government on NATO questions has been Foreign Minister Fernando Moran. Although Moran sees Spain as a part of the West, he has publicly declared his intent to increase Spain's "margin of autonomy" in foreign affairs and to protect its alleged "special relationships" with Latin America and the Arab world. He has openly questioned whether vital Spanish interests—such as Gibraltar and the exclaves of Ceuta and Melilla on the Moroccan coast—can be fully defended from

Secret

Secret

25X6

25X1

within the Alliance; various reports suggest that he personally prefers a "French solution" for the NATO problem—continued political ties but no military integration. Moran, however, is not the sole or even the chief decisionmaker on NATO affairs. According to the US Embassy, Defense Minister Serra, for example, is leaning toward strengthening Spain's NATO ties, and the defense establishment in general supports complete military participation in the Alliance. [redacted]

In our view Prime Minister Gonzalez has not yet fully committed himself on the NATO issue. According to the Spanish Ambassador in Washington, Gonzalez personally prefers continued Alliance membership. His position on the advisability of full military integration, however, is not so clear. [redacted]

25X1

25X1

25X1

[redacted] Gonzalez is above all concerned with ensuring that if Madrid adopts a more forthcoming stance on NATO, Spain's European interlocutors will show greater flexibility on the questions of Gibraltar and EC accession. [redacted]

We believe Gonzalez fears that he would appear arrogant and opportunistic were he to make a quick decision on NATO without holding the referendum promised during the campaign. Polls taken in the last few years have shown consistently that a majority of Spaniards oppose Alliance membership. They also have shown, however, that the public does not feel strongly about the issue and considers itself poorly informed on NATO questions. Thus it is possible that a concerted Socialist campaign in support of NATO could persuade a majority of the electorate to accept a PSOE decision to remain in the Alliance or even to proceed with further military integration. Before putting the question to the voters, however, the government must sort out its own position on NATO. The Prime Minister has already put off a referendum until at least mid-1984, citing concerns about contributing to international instability during a period of "heightened tensions" between the superpowers. He could easily find another pretext for delay if by then the government were still not ready to take a definitive stand on Spain's status in the Alliance. [redacted]

25X1

While the US relationship and NATO have been the main foreign policy concerns of Gonzalez and his advisers, other matters, including relations with Moscow and the situation in Central America, also have

received attention. The Socialists have made clear their desire for greater trade and a low-key political dialogue with Moscow, but concerns about espionage have led Madrid to restrict the activities of Soviet officials in Spain. [redacted]

25X1

Gonzalez has vocally criticized US policy toward Central America, arguing that the conflicts in that area stem more from indigenous social unrest than from foreign intervention. He has called for the withdrawal of both US and Cuban military advisers from the region and has given strong support to the

Secret

Contadora group's peace initiative. We believe that the Prime Minister is sincere in these views. At the same time, Gonzalez knows, in our judgment, that any attempt to undermine US initiatives in the region would damage Spain's carefully cultivated relations with this country. The Prime Minister has restricted his involvement in Central America largely to rhetoric. He has also made clear that he is suspicious of the motives and goals of the Sandinista regime. We believe that he will continue to put distance between Spanish and US views on Central America, but not at the price of openly supporting the forces of the totalitarian left in the area.

25X1

25X1  
25X1

[redacted] [redacted] These developments do not mean that most Spanish officers have become enthusiastic democrats and ardent defenders of the constitution. There exists a residue of suspicion concerning the Socialists' basic patriotism and the government's motives for emphasizing merit at the expense of seniority in promotions. Nevertheless, the first six months of Socialist rule have in our view demonstrated that the military can accept and work within the new democratic order, even under a government of leftist repute.

25X1

### The Military Factor

In our view the Socialists' greatest success to date has been to establish good relations with the military. Civil-military relations are probably better today than at any time since the beginning of the transition to democracy; the specter of the failed coup of 23 February 1981 is slowly losing its impact on Spanish politics.

25X1

25X1

Much of the credit for this improvement belongs to Defense Minister Narcis Serra, who according to various polls is the most popular of Gonzalez's ministers. According to Defense Attaché and Embassy reporting, Serra is widely respected by the officer corps for his assiduous cultivation of military contacts and his serious study of defense questions. The Minister has successfully identified himself with the services by frequently attending military ceremonies and praising military ideals. Most importantly, Serra's policies have put to rest most military fears that a Socialist government would purge the officer corps, politicize promotions, and insert partisan political considerations into the formulation of defense policy.

25X1

We believe that this careful attention to military sensitivities helps account for the absence of serious coup rumors in the last six months. The 5 to 10 percent of the officer corps that might, given a chance of success, move against a PSOE government appears more isolated and powerless than previously.

25X1

[redacted]

With the threat of military intervention in politics in abeyance, the Socialists have begun the mammoth task of reforming and modernizing Spain's antiquated armed forces. Serra has introduced an ambitious long-term plan to reduce the size of the Army by a third, trim the officer corps by 25 percent, and redeploy and reequip all three services in a more modern and effective fashion. Some of these changes are bound to generate opposition from within the conservative military establishment, but we believe that the Defense Minister's rapport with the generals—and the fact that the plan was initially formulated by the Army staff—will enable him to overcome much of this resistance. It may happen that Spain's Socialist government—ironically—will be best remembered 10 years hence for having successfully supervised the military's exit from the antechamber of political power and its entrance into the world of 20th century military science.

25X1

### The Opposition: Gonzalez's Best Allies?

We view the government's success to date as due in part to the weaknesses and divisions of the opposition. Immediately after the October 1982 election, the PSOE dominated the center and left of the political spectrum, thanks to the disappearance of viable centrist parties and the near collapse of the Communists. Besides the regional parties in Catalonia and the Basque Country, only Manuel Fraga's AP offered more than token opposition to the Socialists. Despite having won 25 percent of the vote and 106 seats in Parliament, the AP remains seriously handicapped by

Secret

Secret

25X6

percent of the vote in May—has undercut the PSOE's pretensions to monopolize the left. The Communists, however, failed to equal the 13 percent they won in 1979; the party remains riven by factionalism, and its new Secretary General, Gerardo Iglesias, has yet to prove himself as a national leader. Several small centrist parties that had hoped to offer a moderate alternative to both the AP and the PSOE did poorly in the municipal contest. This, combined with the AP's solid 26 percent of the vote, has confirmed Fraga as the leader of any opposition to the right of the PSOE.

25X1

His victory, however, can also be interpreted as good news for PSOE moderates. They can now argue that the party should more aggressively court centrist voters, since to many centrists the only alternative—Fraga—is anathema. We believe that the Communists' recovery may also speed this process, as it demonstrates that the PSOE cannot hope to retain the backing of the Communist electorate indefinitely and must look to the center for more durable support. With expansion on the left blocked by the slowly reviving Communists and the strategic center ground largely unoccupied, the PSOE now has stronger electoral motives than ever to implement the moderate policies it considers essential for political and economic stability in Spain.

25X1

25X6

25X6

25X6

25X1

the personality of its leader.

Polls show that

Fraga receives the lowest ratings of any major Spanish politician; a significant number of centrist voters are unwilling to support him under any circumstances. With no alternative but Fraga to its right, the government has had little to fear from the opposition.

This picture has only partially changed as a result of the May municipal elections. The Communists' moderate rebound—from 3.8 percent last October to 8

Secret

one hand, and the center-left electorate that assured his election on the other, will become increasingly more difficult over time.

In our view the economy looms as the most serious stumbling block. Finance Minister Boyer's program may reduce both inflation and the balance-of-payments deficit, but it will almost certainly limit real economic growth to something less than the 2-percent target and exacerbate unemployment—which the US Embassy predicts could reach 20 percent by 1984. We see a danger that the trade unions, the Communists, and leftists within Gonzalez's own party could eventually manipulate the social discontent generated by joblessness to force the government to change its economic policy.

The Communist Workers' Commissions have already organized strikes and demonstrations to protest unemployment and, according to the US Embassy, plan to step up these activities in the near future. To date the Socialist unions have only occasionally cooperated with the Communists, and then primarily to depolitize rallies and deflect criticism from the government. We believe that the Socialist unions—

—will continue generally to shun the Communists for the near and medium term. Moreover, the Socialists have increased their influence in the unions to such a degree that we doubt pressure from the streets and shop floor orchestrated by the Communists alone would force the government to alter its economic program in any substantial way.

But if hard times persist, the Socialist unions will come under increasing pressure from the rank and file to begin pushing for more reflationalary policies, perhaps as early as this fall. Were the unions to move in this direction, they would find eager allies in leftist PSOE elements and sympathizers inside Gonzalez's cabinet. Although the temptation to seek a quick fix for unemployment will be great, we believe that Finance Minister Boyer will retain Gonzalez's confidence and that the government has the political will to adhere to its program for at least the next six months to a year. By then the international recovery may

permit the PSOE to try to reduce joblessness without unduly aggravating inflation or the balance-of-payments deficit

25X1

Noneconomic domestic questions pose fewer dilemmas for Gonzalez. During his administration, he will implement various legal and sociopolitical changes—of which abortion is only the most controversial. The Socialists, however, have generally approached these questions in a serious and systematic fashion; the right will protest vocally, but we doubt the Church, business interests, or the opposition can successfully mobilize the middle classes against the government on the basis of these issues, none of which has a very broad constituency. We believe that terrorism alone retains the potential to cause the government—and democratic institutions themselves—serious damage. Spain has in the recent past tolerated a greater level of terrorist violence than presently exists, and the PSOE has a clear-cut and decisive antiterrorist program. Nevertheless, until ETA is completely rooted out, it is possible that a series of spectacular assassinations could take place and serve as a pretext for the military to reinsert itself into politics

25X1

How quickly the government addresses its chief foreign policy challenge—the NATO question—will be partially conditioned by the economy. We believe that a decision on Spain's status within the Alliance will not be made before the economy shows signs of recovery and the government feels less vulnerable on the domestic front. This could delay final consideration until 1984 or 1985. Should economic conditions continue to deteriorate, we suspect that the Socialists would hesitate to use so sensitive an issue as NATO to try to shore up eroding domestic support; they would more likely delay a final decision on both membership and military integration and continue to accept the status quo.

25X1

If a decision is made, we think that the government will elect to remain in the Alliance. Gonzalez seems to prefer this course, as do some of his influential foreign policy advisers and Defense Minister Serra. Even Foreign Minister Moran, in our view, is becoming reconciled to NATO membership. We believe that

Secret

10

**Secret**

pressure from PSOE radicals to leave the Alliance will lose effectiveness as the government assimilates the advantages of NATO affiliation and weighs the potential impact of an abrupt pullout on its relations with the United States and Europe. Anti-NATO sentiment among the public as a whole could slowly subside if, as we expect, the government justifies continued Alliance membership as merely the military side of a larger package that includes greater Spanish economic and political integration into Europe through accession to the EC. Staying in NATO may not, however, translate into military integration during the life of the present Parliament. Gonzalez may not want to expend political capital in a campaign to garner public support for full participation. Instead he could formulate a referendum question asking voters to choose, for example, between something akin to a "French solution" and immediate and total military integration. Such a question could be phrased so as not to tie the hands of a future government in negotiating with NATO, while satisfying demand for a public review of the matter.

25X1

We believe that the PSOE, with an absolute parliamentary majority, manageable dissidence to its left, and an ineffective opposition on its right stands a good chance of remaining in power until the election scheduled for 1986. What appeared only six months ago as the most worrisome problem for a Socialist regime—a military coup d'etat—has now receded as a serious threat. It would require, in our view, some combination of unlikely crises—near economic collapse, widespread social disorder, abrupt foreign policy reversals, rampant terrorism, and overt government meddling in internal military affairs—to provoke a successful coup. The Socialists, however, could lose office by legal means before 1986 if the economy deteriorates rapidly or if Gonzalez loses his political touch. An open split between moderates and leftists within the PSOE, for example, might precipitate an early dissolution of parliament. But even if Gonzalez should fall from power short of term, by showing that the Socialists can govern responsibly, he will have established a precedent for the orderly, democratic alternation of power between right and left.

**Secret**

**Secret**

**Secret**